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FISCAL IMPACT STATEMENT

LS 7330

BILL NUMBER: SB 441

NOTE PREPARED: Jan 20, 2004

BILL AMENDED: Jan 20, 2004

SUBJECT: Property Tax Matters.

FIRST AUTHOR: Sen. Borst

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *Emergency Rules:* This bill provides that emergency rules adopted by the Department of Local Government Finance (DLGF) or the Indiana Board of Tax Review (IBTR) concerning the takeover of a county's reassessment process by DLGF may be extended for an unlimited number of extension periods but expire not later than January 1, 2006.

Lake County Appeals: The bill corrects cross-references in the statute governing the deadline for appeals to the Indiana Board of Tax Review concerning reassessment determinations made by DLGF in Lake County after the informal hearing process.

State Reassessment Public Notice: This bill provides that the notice of DLGF's assumption of reassessment duties in a county must be published in a newspaper that is published in that county.

Shortfall Appeals: The bill provides that a civil taxing unit or school corporation may appeal for relief in the immediately following year if the civil taxing unit or school corporation: (1) determines that it may experience a property tax shortfall due to the payment of refunds; and (2) experiences such a shortfall by December 31.

Petition and Remonstrance: This bill provides that payments by a political subdivision to a professional engineer are not prohibited by restrictions on expenditures of money to promote a position on a petition or remonstrance concerning a bond issue.

Provisional Tax Statements: The bill gives DLGF discretion to modify the form of the notice to taxpayers concerning provisional tax statements.

Income Tax Deduction: This bill restates language that permits taxpayers to take an extra income tax deduction for 2003 property taxes that are paid in 2004.

Local PTRC Payment Schedule: The bill adds conforming language concerning the schedule of payments of Property Tax Replacement Credits to taxpayers in a military base reuse authority.

Property Tax Deductions: This bill specifies that the deadline for taxpayers to file for certain deductions for pay 2004 property taxes was on or before December 15, 2003.

Appeals: The bill provides that taxpayers who receive a notice of assessment at the same time they receive the tax statement for pay 2004 or pay 2005 property taxes have 45 days after receipt of the tax statement to appeal that year's assessment.

Certified Assessed Value: This bill specifies that a provision of SEA 1-2004 that prohibited civil taxing units from adjusting assessed values to reflect the effects of appeals of assessments does not apply to taxes payable in 2003.

Reallocation of CAGIT PTRC Appeals: For property taxes payable in 2004, the bill authorizes a civil taxing unit to appeal for permission to reallocate property tax replacement credits funded from CAGIT for a purpose other than property tax relief.

The bill also corrects other technical errors.

Effective Date: Upon passage; May 8, 2003 (retroactive); May 10, 2003 (retroactive); December 12, 2003. (retroactive); January 1, 2004 (retroactive).

Explanation of State Expenditures: *Emergency Rules:* Under current law, the DLGF and the IBTR may adopt emergency rules concerning formal appeals and informal hearings in reference to the Lake County reassessment. This bill would require that these rules expire by January 1, 2006.

Lake County Appeals: Currently, Lake County property taxpayers who wish to appeal their real property assessment must first request and participate in an informal hearing within 45 days of the date of the reassessment notice. The DLGF must send a notice to the taxpayer and local officials containing the result of the informal hearing. The taxpayer then has 30 days to file a petition for review.

If the DLGF fails to send the notice of the result of the informal hearing within 270 days of the hearing, the assessment cannot be changed under the informal hearing process. This bill would permit the taxpayer to file a petition for review within 30 days of the expiration of the 270-day period if the DLGF doesn't send the notice.

State Reassessment Public Notice: Under current law, a notice must be published in a newspaper in a county if the DLGF takes over a general reassessment in that county. This bill would require that the newspaper actually be published in that county.

Explanation of State Revenues: *Income Tax Deduction:* This bill corrects the homeowner's property tax deduction (for purposes of the individual Adjusted Gross Income (AGI) Tax) as amended by P.L. 1-2004. Under P.L. 1-2004, the maximum allowable homeowner's property tax deduction is temporarily increased in tax year 2004. This one-year increase applies only to homeowners who have any or all of their 2002 Pay 2003 property taxes deferred to tax year 2004. Under current statute the maximum allowable deduction is

otherwise \$2,500 in a taxable year. The bill ensures that the deduction a taxpayer may claim in 2004 for these deferred property taxes may not exceed \$2,500 minus the deduction claimed in tax year 2003 for 2002 Pay 2003 property taxes that were paid in 2003 (and not deferred to 2004). In addition, the taxpayer would still be able to claim in tax year 2004 up to a \$2,500 homeowner's property tax deduction for 2003 Pay 2004 property taxes.

Explanation of Local Expenditures: *Petition and Remonstrance:* Under current law, when the petition and remonstrance procedure is invoked for a bond issue or lease/rental, the taxing unit is restricted from spending public money to promote a position. The unit may, however, make payments to attorneys, architects, construction managers, or financial advisors for professional services. This bill would also permit these units to make payments to professional engineers.

Local PTRC Payment Schedule: Under current law, the redevelopment commission in TIF and TIF-like areas may pay a credit similar to PTRC out of gross TIF proceeds. This provision adds payment schedule language to the law concerning military base reuse authorities that coincides with the language currently in force for all other TIF areas. Specifically, the credits which are normally paid in two installments each year would be paid on the same schedule as tax installments for homeowners that have entered into an installment payment plan for their property tax bills.

Explanation of Local Revenues: *Shortfall Appeals:* Under current law, a civil taxing unit or school corporation may appeal for an excessive levy if it has experienced a revenue shortfall due to refunds paid on appeals. These units may not know until the end of the year that they have indeed experienced a shortfall. By then, it is too late to initiate the excessive levy appeal process for taxes due in the upcoming year. This bill would allow a civil unit or school corporation to initiate the process before the end of the year if it believes it will experience a shortfall. The relief could not be granted unless the shortfall actually materializes.

Property Tax Deductions: Current law (under SEA 1-2004) allowed an extended period for homeowners to file for several property tax deductions to be effective for taxes paid in 2004. Current law required applications filed during the extended filing period to be filed *before* December 15, 2003. This provision clarifies that deduction applications that were received *on* December 15, 2003, are valid against property taxes to be paid in 2004.

Reallocation of CAGIT PTRC Appeals: Under current law, a county that receives revenue from the County Adjusted Gross Income Tax (CAGIT) must use part of the proceeds from the tax to reduce tax levies. This is known as CAGIT PTRC.

Under this provision, for property taxes payable in 2004 only, civil taxing units would be permitted to appeal to the state's Local Government Tax Control Board for permission to use all or part of the unit's CAGIT PTRC for another purpose. If permission is granted, the net levy of the taxing unit, and consequently net tax bills, would increase for 2004. The amount of CAGIT PTRC reallocated would depend on the requests that are made and the permissions granted.

In CY 2003, 53 counties imposed CAGIT. The CAGIT PTRC for the civil taxing units (not schools) in those counties amounted to \$32.1 M. In CY 2004, an additional three counties will begin receiving CAGIT proceeds. CAGIT PTRC information for CY 2004 is currently available for 34 counties, including the three new CAGIT counties. The total CAGIT PTRC for all civil units in all CAGIT counties, using CY 2004 data where available, is \$34.4 M. This is the total amount, statewide, that would be available through excessive levy appeals (if granted) under this provision.

State Agencies Affected: Department of Local Government Finance; Indiana Board of Tax Review; Local Government Property Tax Control Board; Indiana Department of State Revenue.

Local Agencies Affected: County auditors; Military base reuse authorities; Local civil taxing units and school corporations.

Information Sources: Local Government Database.

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